



November 12, 2002

RECEIVED

NOV 12 2002

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.; Room TW-A325
Washington, D.C. 20554

RE: In the Matter of Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from Ameritech Corporation, Transfer, To SBC Communications, Inc.. Transferee.
(CC Docket No. 98-141)

Dear Ms. Dortch:

SBC Communication Inc. (SBC) submits the attached "Supplemental Information to the 2001 Compliance Report to the FCC" as a supplement to the "Annual Compliance Report" filed with the Commission on March 15, 2002.

The purpose of the attached report is to address compliance information relevant to the 2001 calendar year that was discovered subsequent to filing the March 15, 2002 report and to correct an amount incorrectly reported in that report.

If you have any questions regarding this report, please contact David Cartwright at (202) 326-8894 or me.

Sincerely,

A handwritten signature in cursive script, reading "Michelle A. Thomas".

Attachments

Cc: Ms. Maureen Del Duca
Mr. Anthony Dale
Mr. Hugh Boyle
Mr. Mark Stephens

No. of Copies rec'd 0+4
List ABCDE

SBC Communications Inc.

**SBC/Ameritech Merger Conditions
Supplemental Information to the 2001
Compliance Report to the FCC**

Priscilla Hill-Ardoin
Senior Vice President-Regulatory
Compliance
SBC Communications Inc.

November 11,2002

Supplemental Discussion of Compliance by Merger Condition

The Merger Conditions require SBC to submit an annual compliance report by March 15 for the preceding calendar year. On March 15, 2002, the Company filed its Compliance Report for the 12 months that ended December 31, 2001 ("March 15 2002 Report"). In the Report of Management on Compliance With the Merger Conditions dated August 30, 2002 ("the August 30, 2002 Report"), the Company indicated that it would file a supplement to the March 15,2002 Compliance Report to address compliance information relevant to the 2001 calendar year that was discovered subsequent to issuance of the March 15, 2002 report, and therefore was not listed therein. This Supplemental Report provides such supplemental information, and should be read in conjunction with the March 15,2002 Report.

This Supplemental Report is divided into two sections. Section A provides information concerning those items relevant to the 2001 calendar year but which were not identified in the March 15, 2002 Report because they were discovered after that date. Section B contains a correction a clerical error misstating the dollar amount of a forfeiture referenced in the March 15,2002 Report.

A.

Information Regarding Items Identified Subsequent to March 15,2002

1. Separate Affiliate For Advanced Services

- Subsequent to filing the March 15, 2002 report, the Company discovered that nominal amounts of revenues for advanced services had been recorded in the revenue accounts of certain ILECs from which all advanced services were required to have been transferred to the Advanced Services affiliates. Activity in these accounts was attributed to ordering and/or data processing errors combined with the residual effect of a few embedded-base ILEC customer accounts that were overlooked in the transition period following the Merger Closing date.
- The Company also discovered additional information regarding the following items disclosed in the March 15,2002 report:
 1. SBC initially reported that separate affiliate work locations in **six** ILEC-owned premises were not covered by affiliate agreements. Subsequent to March 15, 2002, the Company discovered additional locations that were not covered, and a total of eleven work locations were added to the affiliate agreements.
 2. SBC initially reported that affiliate transactions reflecting customer account transfers from the ILECs to the separate affiliates were restated during 2001 and that the Company was in process of reassessing the transaction for additional adjusting entries. Subsequent to March 15, 2002, the Company determined that

Merger Compliance Report – March 15,2002
Supplemental Version –November 11,2002
SBC Communications Inc.

the accounting requirement to record the customer transfers was no longer applicable and the previous entries were reversed.

3. SBC disclosed in the March 15, 2002 report that certain billings for services provided between the ILECs and Advanced Services affiliates required adjustment with respect to quantities, rates or cost determination. The Company subsequently discovered that certain limited collections activities were provided by the ILECs to the Advanced Services affiliates without an affiliate agreement and appropriate billing. Affiliate agreements and appropriate billing for these services have since been completed.
4. SBC initially disclosed that a few affiliate agreements were not posted to the Internet within the 10-day deadline. SBC subsequently discovered that a small number of documents related to affiliate transactions were never posted to the Internet and that a small number of agreements were not physically available for public inspection at the ILECs' principal place of business. These agreements were subsequently added to the Internet or were physically made available for public inspection, as appropriate.

3. Advanced Services OSS

As indicated in the March 15, 2002 report, the Company disclosed specific instances in which the required 25 percent discounts from the recurring and nonrecurring charges for unbundled loops used to provide advanced services had not been provided. Subsequent to filing that report, the Company discovered additional instances in which SWBT had not provided the required discount. All missed discounts have since been applied retroactively.

5. Loop Conditioning Charges and Cost Studies

SBC reported on March 15, 2002 that no charges had been assessed for conditioning loops of less than 12,000 feet (based on theoretical loop length) and that authorization to perform and agreement to pay were obtained from the provider before proceeding with conditioning work identified by SBC. Subsequent to filing the March 15, 2002 report, the Company learned that a system coding error and clerical errors in the SWBT region resulted in limited instances of inadvertent billing of loop conditioning charges in January and February of 2001. The Company subsequently applied credits to correct the inadvertent billing.

11. Collocation Compliance

SBC reported on March 15, 2002 that in some cases, the Company incorrectly billed unaffiliated telecommunications carriers for collocation charges or did not bill its Advanced Services affiliates accurately. Ernst & Young subsequently opined that

Merger Compliance Report – March 15,2002
Supplemental Version – November 11,2002
SBC Communications Inc.

instances of untimely billing to unaffiliated carriers was also an exception to Collocation requirements. Centralization of operations in early 2001 resulted in the development of new billing procedures and the strengthening of existing billing processes, which enhanced billing accuracy for the remainder of the Report Period.

In some cases during 2001, floor plans or diagrams were not submitted to a state commission. Title 47 ~~Part~~ 51.321 (f) requires the Company to submit to a state commission detailed floor plans or diagrams of any premises where the Company claims that physical collocation is not practical because of space limitations. In May 2002, the Company revised its policy to submit floor plans to state commissions in all instances of physical space denials, regardless of whether the state commission requires them to be filed.

19. Shared Transport in Arneritech States

SBC reported on March 15, 2002 that it had offered availability of shared transport in Ameritech States under terms and conditions, other than rate structure and price, that were substantially similar to the most favorable terms SBC offered to CLECs in Texas as of August 27, 1999.

In addition, SBC also reported that The FCC's Enforcement Bureau, in its Notice of Apparent Liability for Forfeiture ("NAL"), File No. EB-01-IH-0030, released January 18, 2002 alleged that the Company, in violation of the Merger Order, did not provide shared transport in the Ameritech States under terms and conditions substantially similar to those that it offered in Texas as of August 27, 1999. SBC also reported that the Company filed a response with the Commission on March 5, 2002 contesting the FCC's allegations and that resolution of the Commission's action was pending.

On October 9, 2002, the FCC in Forfeiture Order, File No. EB-01-IH-0030, upheld the NAL. On November 8, 2002 the Company filed a Petition for Reconsideration with the FCC.

B.

Errata

28. Enforcement

In the March 15, 2002 Report, the Company incorrectly reported that the FCC's Enforcement Bureau, in its Order on Review, released February 25, 2002 regarding its Order of Forfeiture, File No. EB-00-1H-0326a, affirmed the Enforcement Bureau's finding and reduced the amount from \$94,500 to \$88,000. The amount of the forfeiture was actually reduced to \$84,000.

Merger Compliance Report – March 15,2002
Supplemental Version –November 11,2002
SBC Communications Inc.

SBC Communications Inc.

By: 

Priscilla Hill-Ardoin

Senior Vice President – Regulatory Compliance
SBC Compliance Officer